



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

This 17th Quarterly Report from the Special Inspector General for Iraq Reconstruction (SIGIR) is dedicated to the memory of Paul Converse, a SIGIR auditor who died March 24, 2008, from wounds received during a rocket attack on the International Zone. With Paul's death, SIGIR has suffered its greatest loss. We will always remember his passion for our mission, his compassion for others, and his love for his country. Our hearts go out to his family and friends.

The issuance of this Report marks five years since the first appropriation of funds for Iraq reconstruction. Since 2003, the Congress has provided over \$46 billion in aid to Iraq, approximately \$10 billion of which remains to be obligated. Section 2 of this Report highlights a variety of the ways these billions in taxpayer dollars have been spent in Iraq over the past five years.

This Report updates the Year of Transfer in Iraq reconstruction, with information and analyses on the transfer of U.S.-provided reconstruction assets to Iraqi control, the transfer of reconstruction funding responsibilities to the Government of Iraq (GOI), and the transfer of security responsibilities to Iraq's Ministries of Defense and Interior. A SIGIR audit released this quarter follows up on SIGIR's July 2007 asset-transfer report, finding that much still needs to be done to ensure that the GOI will maintain and sustain U.S.-provided assets. Section 2 presents data on this year's oil revenue boom in Iraq, which is generating a financial windfall for the GOI and providing abundant resources for new reconstruction programs and projects. Another SIGIR audit presents a comprehensive overview of the programs funded by the Iraq Security Forces Fund; the majority of U.S. funds awaiting obligation are targeted for support to Iraq's security forces.

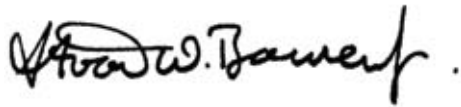
Section 3 of this Report contains summaries of SIGIR's seven new audits and seven new inspections. The audits include an examination of the \$500 million design-build contract awarded to the Perini Corporation. This is the fifth in a series of SIGIR studies looking at large contracts funded by the Iraq Relief and Reconstruction Fund (IRRF). SIGIR's audit team also produced updates this quarter on our continuing reviews of the Dyncorp contract for Iraqi police training and the Embassy's anticorruption capacity-building program. Both reports find that the Department of State made progress on implementing prior SIGIR recommendations.

This quarter, SIGIR's inspections directorate produced assessments examining four projects funded by the Commander's Emergency Response Program (CERP), two funded by the IRRF, and one funded through the Department of State's Bureau of International Narcotics and Law Enforcement Affairs. The most notable inspection is the comprehensive review of the Nassriya Water Treatment Plant, the single largest project funded by the IRRF. When SIGIR's inspectors visited Nassriya, they found the plant operating at just 20% of capacity, because the GOI had failed to provide an adequate power source. The Embassy has created a joint assessment team that has already implemented corrective action on several shortfalls identified by SIGIR's inspection.

SIGIR investigators continue to make progress on 52 open investigations. To date, SIGIR cases have resulted in 14 arrests, 15 indictments, 5 convictions, and more than \$17 million in fines, forfeitures, recoveries, and restitution. Five individuals are scheduled for trial in September 2008, while five others await court dates.

The late January enactment of the National Defense Authorization Act of 2008 (NDAA) significantly extended SIGIR's tenure by providing broad additional jurisdiction and more responsibilities. SIGIR's reporting mandate now fully embraces the Iraq Security Forces Fund, the Economic Support Fund, and the Commander's Emergency Response Program. The NDAA further directed SIGIR to develop an audit plan for all necessary reviews covering security and reconstruction in Iraq. SIGIR is consulting with fellow IGs as this new planning process develops.

Submitted April 30, 2008.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." followed by a period. The signature is written in a cursive, flowing style.

Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction